

DOCUMENT RESUME

ED 243 252

EA 016 767

TITLE Handbook for Class I County School District Treasurers.
 INSTITUTION Illinois State Board of Education, Springfield.
 PUB DATE Dec 83
 NOTE 16p.
 PUB TYPE Guides - Non-Classroom Use (055)
 EDRS PRICE MF01/PC01 Plus Postage.
 DESCRIPTORS *Board of Education Policy; *Educational Finance; Elementary Secondary Education; *Recordkeeping; Reports; School Accounting; School Business Officials; *School District Spending
 IDENTIFIERS *Illinois; *School Treasurer

ABSTRACT

This handbook is an updated edition provided by the Illinois State Board of Education for school district treasurers. Its intent is to assist Class I county treasurers in performing their duties efficiently and effectively. The handbook is divided into four sections, the first of which outlines custodial role, eligibility, term of office, salary, and bonding requirements for the treasurer's position. In section II, the specific duties of the treasurer are outlined in relation to records, bond registering, orders, tax distribution, corporate personal property replacement, taxes, disbursements, interfund loans, communication, payment of bonds and interest, and monthly reports. Responsibilities in relation to depositaries and investments make up the third section. The final section outlines the treasurer's responsibility in the maintenance of records. (MD)

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Handbook for Class I County School District Treasurers

December 1983



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HANDBOOK FOR
CLASS I COUNTY
SCHOOL DISTRICT TREASURERS

Illinois State Board of Education

December 1983

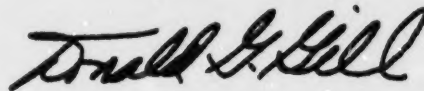
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FOREWORD

The Illinois General Assembly created the position of treasurer to serve as the custodian of school district monies and investments. The intent of this handbook is to assist treasurers in Class I counties (all counties except Cook) in performing their duties in an efficient and effective manner.

With increasing demands for accountability by the public, each school district must have a proper check on all operating monies, proper security for its funds, and convenient and adequate access to financial information necessary to manage the district properly. This handbook is designed to provide assistance to the treasurer in carrying out financial reporting and monitoring responsibilities. This document is consistent with the State Board of Education goal to provide adequate financing and, in every way possible, improve the management of the local school districts.

The previous edition of this handbook (October 1980) was a product of the Illinois Financial Accounting Committee, an advisory committee to the State Superintendent of Education. This edition has been updated to reflect legislative changes which have occurred since October 1980.



Donald G. Gill
State Superintendent of Education

TABLE OF CONTENTS

Foreword	iii
I. The School Treasurer.	1
A. Treasurer as Custodian.	1
B. Treasurer Eligibility	1
C. Treasurer's Term of Office.	1
D. Treasurer's Salary.	1
E. Treasurer's Bond.	2
II. Duties of the Treasurer	2
A. Record of Financial Transactions.	2
B. Bond Registering.	2
C. Orders.	3
D. Tax Distributions	3
E. Corporate Personal Property Replacement Taxes	4
F. Disbursements	4
G. Interfund Loans	4
H. Communication	5
I. Payment of Bonds and Interest	5
J. Monthly Report to the School District	5
III. Depositories and Investments.	5
A. Depositories.	5
B. Investments	6
C. Investment of Public Funds.	6
D. State Treasurer's Investment Pool	7
IV. Records	8
A. Records to Be Developed and Maintained Currently.	8
B. Public Inspection of Records.	8
C. Retention of Records.	9
D. Annual Audit.	9

PROCEDURES FOR SCHOOL DISTRICT TREASURERS
IN CLASS I COUNTIES
(Class I Counties are all counties except Cook)

I. The School Treasurer

A. Treasurer as Custodian

The treasurer is by law the official custodian of all district monies, as well as all investments owned by the district including joint agreements (Chapter 122, Sections 8-6 and 8-7). (Chapter 122 is more commonly known as The School Code of Illinois.)

Exceptions to above: Imprest Funds, including funds for school cafeterias, lunchrooms, athletics, petty cash, or similar purposes, for which the district has named a special custodian, as provided by law, are not under the custody of the school treasurer. Student Activity Funds, generally considered as funds which are voluntarily acquired by student clubs and organizations, are to be safeguarded by such rules and regulations as are prescribed by the Board of Education. A local Board may appoint a custodian for Student Activity Funds (Chapter 122, Section 10-20.19).

B. Treasurer Eligibility

An appointed treasurer shall be at least 21 years of age and of approved integrity, but not a member of the county board of school trustees (Chapter 122, Section 8-1). School treasurers appointed after October 1, 1977, for their first term must have a financial background or related experience or 12 semester hours of credit in college-level accounting.

C. Treasurer's Term of Office

Each school board shall either elect one of its members to serve as treasurer without salary for a period of one year or appoint someone not a member of the school board as its treasurer, and the board shall fix the compensation (Chapter 122, Section 8-1). Only one treasurer may be appointed to serve a school district at a given time. The treasurer serves at the pleasure of the Board of Education.

D. Treasurer's Salary

Each school treasurer shall receive in full, for his/her services, a compensation to be fixed, prior to his/her appointment, and such compensation shall not be decreased during his/her term of office (Chapter 122, Section 8-3). The treasurer, being an employee of the district, should be paid in the same manner as other employees. His/her salary is subject to withholding tax and other applicable payroll deductions.

E. Treasurer's Bond

Before assuming the duties of the treasurer, each school treasurer shall be bonded (Chapter 122, Sections 8-2 and 19-6).

1. The bond shall be executed with two or more freeholders (property owners) who are not trustees, or a surety company which is authorized to conduct business in the State of Illinois.
2. If individuals act as sureties, the amount of the penalty shall be at least twice the amount of all bonds, notes, mortgages, monies and effects of which the treasurer is to have custody.
3. If a surety company provides the surety, the amount of the penalty shall be at least equal to the amount of all bonds, notes, mortgages, monies and effects of which the treasurer is to have custody.
4. Increases or decreases in the amount of the penalty are subject to the direction of the regional superintendent of schools or the school board.
5. The bond shall be approved by at least a majority of the school board.
6. The bond shall be filed with the regional superintendent of schools who shall file with the State Board of Education before September 1 in each year an affidavit showing which treasurers of school districts under his/her supervision and control are properly bonded.

II. Duties of the Treasurer

A. Record of Financial Transactions

The treasurer is required to keep a record of the financial transactions of the district by fund which shows the amount received and the amount disbursed by order of the Board of Education. At the end of the month, he/she shall extend the balances, showing the balance in the bank account as well as the balance in each fund and reconcile such balances with the accounting or bookkeeping department of the district (Chapter 122, Section 8-6).

B. Bond Registering

It shall be the duty of the district treasurer to register, number, and countersign all bonds issued by the school district. It is also the treasurer's duty to maintain a register in which shall be entered the record of the election authorizing such issue, the number, date, to whom issued, amount, rate of interest and due date (Chapter 122, Section 19-5).

C. Orders

A treasurer shall sign all lawful orders of the Board of Education. If a treasurer can determine that an order is illegal, either from previous knowledge or by inspection, he or she shall not affix his/her signature. It should be returned to the Board of Education for correction. The treasurer has no authority to change an order in any manner nor the fund on which it is drawn.

All withdrawals or payments from district bank accounts must be by virtue of the signature of the bonded school treasurer and only on order of the Board of Education (Chapter 122, Sections 8-7 and 8-15).

1. It is unlawful for a Board of Education to issue an order or for a treasurer to sign a check except when there is sufficient cash in the fund against which the order or check is drawn. Exception: Teachers' orders may be drawn against the Educational Fund even though there is no cash available to pay same.
2. Should it be necessary for the district to issue teachers' orders which cannot be paid for want of funds, the treasurer shall follow the procedure of Chapter 122, Section 8-16. Such orders shall be regarded as obligations outstanding against the district until paid. A numerical list of such orders must be maintained by both the treasurer and the district, and such list shall reflect the earliest order first and then the most recent order last. The order shall thereafter bear interest at a rate not exceeding the greater of nine percent per annum or 125 percent of the 20 General Obligation Bonds Index of average municipal bond yields as published in the most recent edition of The Bond Buyer, published in New York, New York, at the time the contract is made for the issuance of the orders (Chapter 17, Section 6602). Teachers' orders not paid for want of funds must be retired immediately as sufficient funds are available in the Educational Fund.

D. Tax Distributions

The distribution of taxes, as a result of levy, to funds shall be made in accordance with the ratio (percentage) of each separate tax extension to the total extension. The Superintendent (or Clerk of the Board in certain instances) shall determine the proper percentage to be distributed to each fund and advise the treasurer accordingly. The taxes shall be distributed to funds according to the percentage, as established above, each time any portion is received. Privilege taxes, such as mobile homes, may be distributed to any operating fund.

E. Corporate Personal Property Replacement Taxes

In accordance with Chapter 85, paragraph 616 of the Illinois Revised Statutes, monies received by any school district from the Corporate Personal Property Tax Replacement Fund shall be first applied toward payment of the proportionate amount of debt service which was previously levied and collected from extensions against corporate personal property on bonds outstanding as of December 31, 1978, and next applied toward payment of the proportionate share of the pension or retirement obligations of the district which were previously levied and collected from extensions against corporate personal property. For each such outstanding bond issue, the County Clerk shall determine the percentage of the debt service which was collected from extensions against real property in the district for 1978 taxes payable in 1979, as related to the total amount of such levies and collections from extensions against both real and corporate personal property. For 1979 and subsequent years' taxes, the County Clerk shall levy and collect from extensions taxes against the real property of each district which will yield the said percentage or percentages of the debt service on such outstanding bonds. The balance of the amount necessary to fully pay such debt service shall constitute a first and prior lien upon the monies received by each such school district through the Corporate Personal Property Tax Replacement Fund and shall be first applied or set aside for such purpose.

F. Disbursements

When disbursements are made, it is recommended that the order list procedure provided in Chapter 122, Section 10-20.19 be used providing cumulative totals for each fund. Such a procedure reduces the record keeping of the treasurer and is better than the use of individual orders signed by the president and secretary. If the list is not used, the treasurer must record each individual check signed in his or her account book or prepare his or her own list. The treasurer should record disbursements when orders are drawn, rather than after they have cleared the bank.

G. Interfund Loans

Interfund loans may be made only on an authorization from the Board of Education. Loans made under the provisions of Chapter 122, Section 10-22.33 shall be repaid within one year. Authorized interfund loans include:

1. Operations, Building and Maintenance Fund to Educational or Transportation Funds (Section 10-22.33).
2. Educational Fund to Operations, Building and Maintenance or Transportation Funds (Section 10-22.33).
3. Transportation Fund to Educational or Operations, Building and Maintenance Funds (Section 10-22.33).

4. Working Cash Fund to Educational, Operations, Building and Maintenance or Transportation Funds (Section 20-4). Such loans are to be repaid immediately from the taxes received in anticipation of the collection whereof monies of the Working Cash Fund have been loaned.

H. Communication

District office personnel and the treasurer should develop a system of remittance advice both to and from each office so that both the district personnel and the treasurer have complete information as to the source and amount of each receipt.

I. Payment of Bonds and Interest

At the beginning of each fiscal year each Board of Education may, by resolution, authorize the treasurer to make scheduled payments of bond principal and interest due during the year. Payments of bond principal and interest due may be included with other bills payable approved for payment by Boards of Education.

J. Monthly Report to the School District

In accordance with Chapter 122, Sections 8-6 and 8-15, the treasurer is required to prepare a monthly report to the Board of Education showing the beginning balance, the total amount received, the total amount disbursed, including orders issued but not cleared at the bank, and the ending balance in each fund as well as in the bank account.

1. The receipts, disbursements and beginning and ending balances must be reconciled with the records in the accounting department of the school district.
2. The monthly report must be reconciled with the amount on deposit in the bank. This is done by adding to the amount shown in the treasurer's books all orders issued, but unpaid, as of the last business day of the month.

III. Depositories and Investments

A. Depositories

The Board of Education shall designate the depository or depositories of the district. These shall be banks, savings and loan associations, or credit unions situated in the state of Illinois (Chapter 122, Section 8-7). The depository or depositories for Imprest Funds must be approved by the treasurer (Chapter 122, Section 10-20.19). The designated depositories must qualify in the manner set forth in Section 8-7. The Board of Education and the treasurer must be cognizant of the limitation on deposits which provides that they cannot exceed 75 percent of the capital stock

and surplus of any bank or 75 percent of the net worth of any Savings and Loan Association as indicated in Chapter 122, Section 8-7, except on an assumption of personal liability on the part of the treasurer. The depository or depositories must furnish school boards a copy of all required sworn statements of resources and liabilities as reported to the Commissioner of Banks and Trust Companies or the Comptroller of the Currency, or the Commissioner of Savings and Loan Associations, or the Federal Home Loan Bank.

It is not necessary for districts to keep separate bank accounts for each fund. However, detailed records, by fund, must be maintained.

B. Investments

The district shall invest, within two working days, all funds not needed immediately for district operation (Chapter 102, Section 34). The authority to make investments is vested in the "Governing Authority" - i.e., the Board of Education and not the treasurer. The securities so purchased shall be held for the benefit of the school district by the treasurer of the district.

C. Investment of Public Funds

Chapter 85, Sections 901 through 904, of the Illinois Revised Statutes contains the guidelines and requirements for the investment of public funds.

Treasurers may combine funds and/or jointly invest funds with other districts in order to maximize investment earnings. However, a complete accounting of all investments and earnings from investments shall be made for each fund and district (Chapter 122, Section 8-7).

Funds may be invested in several different types of securities which assure low risk of investment. Alternative investments as authorized by the Illinois Revised Statutes are:

1. Bonds, notes, certificates, treasury bills, or other securities guaranteed by the full faith of the United States Government as to principal and interest (Chapter 85, Section 902).
2. Certificates of deposit or time deposits which constitute direct obligations of any bank as defined by the "Illinois Banking Act." The treasurer may require collateralization by securities or mortgages held by that depository for amounts invested in excess of the limits insured by the Federal Deposit Insurance Corporation (Chapter 85, Sections 902 and 906 and Chapter 122, Section 8-7).
3. Short-term discount obligations of the Federal National Mortgage Association (Chapter 85, Section 902).

4. Shares and securities legally issuable by Savings and Loan Associations incorporated under state or federal law. The treasurer may require collateralization by securities or mortgages held by that depository for amounts invested in excess of the limits insured by the Federal Savings and Loan Insurance Corporation (Chapter 85, Sections 902 and 906 and Chapter 122, Section 8-7).
5. Public Treasurer's Investment Pools as created under Section 17 of an act to revise the law in relation to the State Treasurer (Chapter 130, Section 17).
6. Commercial paper of United States corporations with more than \$500 million in assets. However, these obligations must be within the three highest classifications by at least two standard rating services at the time of purchase, must mature not later than 180 days from the purchase date, must be no more than 25 percent of the total average balances from all funds available at the end of each month, and must not exceed ten percent of the outstanding obligations of the corporation (Chapter 85, Section 902).

In any of these investments, the governing body shall consider safety of principal first since it is assumed the funds will be required for expenditure in the future and loss could have disastrous consequences. Safety of interest and return on investment should also be scrutinized.

Securities must be held for the benefit of the agency. If, however, the monies used to purchase an investment are for a particular fund, then the investment is part of and credited to that fund. Therefore, any financial statements of a fund must reflect applicable investments.

The district, plus the fund name, shall be the designated payee if a security is registerable. Securities must be held by the parties responsible for the fund they are credited to and must be held in a safe place to show proper responsibility by the agency (Chapter 85, Sections 901 through 905).

D. State Treasurer's Investment Pool

Public Act 79-1354 created the Illinois Public Treasurer's Investment Pool which enables treasurers to invest short-term funds which they were previously unable to invest due to time or yield.

With the Investment Pool, there is no minimum holding period; funds may be invested for terms as short as one day. The minimum initial investment is \$10,000. Withdrawals shall be made in increments of \$1,000. Any participating member of the Investment Pool will receive daily availability of funds, month-end statements, along

with a check for earned interest, daily rate statements, and an annual report which will have been audited in compliance with the State Treasurer. Income is earned from date of receipt to date of withdrawal and will be computed and reinvested daily (includes interest accrued or discount earned, plus or minus market value changes, less fees). Also, the income is valued daily and any market value change is an adjustment to income earned. The Illinois Public Treasurer's Investment Pool will provide the going rate of interest and charge a \$5.00 fee for each transaction in excess of five per calendar month.

The Investment Pool is designed to provide economical aid to public treasurers whose funds will not be needed for several days for expenditures.

IV. Records

A. Records to Be Developed and Maintained Currently

Detailed financial records of the district shall be kept, or shall be caused to be kept, by the Superintendent of Schools or the Clerk of the Board of Directors as provided in Chapter 122, Sections 10-7 and 10-21.4.

1. The treasurer is required to keep a record of the financial transactions of the district by funds, wherein is shown the amount received and the amount disbursed by order of the Board of Education. At the end of each month the treasurer shall extend the balances showing the balance in the bank account as well as the balance in each fund (Chapter 122, Section 8-6).
2. It shall be the duty of the district treasurer to register, number and countersign all bonds issued by the school district. It is also his/her duty to maintain a register in which shall be entered the record of the election authorizing such issue, the number, date, to whom issued, amount, rate of interest and due date (Chapter 122, Section 19-5).

B. Public Inspection of Records

Reports and records of the obligation, receipt and use of public funds of school districts are public records. As such, they are required to be made available for public inspection during regular office hours of the district at the official place of business or a designated place of business of the school district. A written notice specifying which records are to be inspected may be required to be submitted 24 hours prior to such inspection (Chapter 116, Section 43.103a).

C. Retention of Records

It is recommended that the office of the treasurer keep the paid orders or checks of the district and paid bonds and interest coupons. Paid orders or checks should be held seven years after audit. The treasurer shall contact the Local Records Unit office of the Secretary of State for further information on the retention, microfilming or destruction of records.

Local Records Unit
Illinois State Archives
Springfield, Illinois 62756
Telephone: 217/782-7076

D. Annual Audit

An annual audit of all district accounts, which includes treasurers' records, is required by law (Chapter 122, Section 3-7). In all cases the auditor shall be appointed by the Board of Education, who shall arrange for payment of his or her fee and for the reasonable conduct of the audit itself. During the time of the annual audit, the treasurer shall authorize that his or her records necessary for the audit shall be available at the school district office. If the treasurer does not choose to release them to someone else, then he or she shall be there with them personally. No records may be removed from the district office unless specifically authorized by the Board of Education.

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